

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-12 ISO-00 NEA-10 IO-14 L-03 H-02 PA-02
SP-02 USIA-15 AID-05 EB-08 NSC-05 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-10
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /129 W
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 2450

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USADB

PASS TREASURY FOR D SHERK

E.O. 11652: N/A
TAGS: EAID, EFIN
SUBJECT: ORDINARY CAPITAL RESOURCES AND LIMITS OF LENDING

REF: SHERK/WESTCOTT TELECON

1. THIS IS IN RESPONSE TO INQUIRY AS TO STATUS OF ADB'S
UNCOMMITTED ORDINARY CAPITAL RESOURCES AVAILABLE FOR LENDING
AS OF 1 JANUARY 1978. UNDER ARTICLE 12 OF THE BANK'S ARTICLES
OF AGREEMENT THE TOTAL AMOUNT OF OUTSTANDING LOANS UNDER
ORDINARY OPERATIONS SHOULD NOT AT ANY TIME EXCEED THE
TOTAL AMOUNT OF THE BANK'S UNIMPAIRED SUBSCRIBED CAPITAL AND
RESERVES (EXCLUDING THE SPECIAL RESERVE AND SET-ASIDE CAPITAL).

2. UNDER THIS LIMITATION, AS OF 1 JANUARY 1978 THE BANK
COULD UNDERTAKE ADDITIONAL COMMITMENTS OF ABOUT \$4.3 BILLION.

3. HOWEVER, THE EFFECTIVE LIMIT ON ADDITIONAL COMMITMENT NOW
IS SET BY (A) THE LIMITATION IMPOSED BY THE EXISTING BORROWING
COVENANTS OF THE BANK IN THAT THE BANK'S OUTSTANDING BORROWINGS
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SHOULD NOT AT ANY TIME EXCEED ITS CALLABLE CAPITAL IN
CONVERTIBLE CURRENCIES, AND (B) THE BANK'S SELF-IMPOSED
LIMITATION, AS A MEASURE OF FINANCIAL PRUDENCE, THAT ITS
OUTSTANDING BORROWINGS SHOULD NOT AT ANY TIME EXCEED
75 PERCENT OF THE CALLABLE CAPITAL IN CONVERTIBLE
CURRENCIES.

4. THESE LIMITATIONS DO NOT DIRECTLY INDICATE THE
ADDITIONAL COMMITMENT CAPACITY THAT EXISTS NOW BUT THEY
DETERMINE PROJECTED LEVELS OF ADDITIONAL COMMITMENT OVER
A PERIOD OF TIME DEPENDING ON THE DISBURSEMENTS AND
BORROWINGS IN FUTURE YEARS THAT SUCH ADDITIONAL COMMITMENT
WILL ENTAIL.

5. ACCORDING TO THE LATEST FINANCIAL PROJECTIONS,
(INCLUDING THE CURRENTLY ENVISAGED NEW LOAN COMMITMENTS
OF \$750 BILLION IN 1978, \$825 MILLION IN 1979 AND
SO ON, INCREASING ANNUALLY BY \$75 MILLION) THE LIMITATION
MENTIONED AT 3(A) ABOVE IS LIKELY TO BECOME OPERATIVE
LATE IN 1984 AND THE LIMITATION AT 3(B) IN MID-1983.
WESTCOTT

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NNN

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